

To: All HOME Applicants Notice: FSP-01-19

From: IHFA Community Development Department

Date: November 19, 2001

Re: HOME Match Clarification

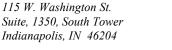
The Indiana Housing Finance Authority (IHFA) recently received clarification from the U.S. Department of Housing and Urban Development (HUD) regarding the calculation of eligible match for the HOME Investment Partnerships Program (HOME). In the situation where an organization receives a grant for a particular housing development and then provides these funds to the development as a below-market interest rate loan, the assistance must be valued as a loan for HOME match purposes. Match must be calculated as the present discounted value of the below-market interest loan rather than as the full value of the principal.

The match calculation is the same regardless whether the loan made to the development is amortized, deferred, or forgivable. According to HUD, the fact that there might be some future forgiveness under certain circumstances is irrelevant because it cannot be foreseen at the time that the match value is calculated.

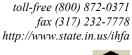
For example, if an organization is the recipient of a \$200,000 Affordable Housing Program (AHP) grant from the Federal Home Loan Bank (FHLB) and the organization decides to structure the AHP grant as a 1%, 15-year deferred payment loan to a 20-unit rental development, IHFA may no longer consider the \$200,000 AHP grant as HOME match. Instead, we must calculate the present discounted value of the below-market interest rate loan. Using the 10-year treasury constant for the week ending November 9, 2001, the loan would generate \$119,303 in HOME-eligible match (see attached example).

This change in match calculation will be effective for HOME awards made beginning January 1, 2002. It will not impact awards previously approved by IHFA.

For additional guidance in calculating HOME match, please refer to HUD CPD Notice 97-03, which is available to download at www.hudclips.org. If you have any questions regarding this memo, please contact your IHFA Development or Compliance Specialist.



Indiana Housing Finance Authority



phone (317) 232-7777





Grant from an Organization that is Loaned to a Development

AHP Grant Project #: \$200,000 Loan Amount Interest Rate 1.00% Week ending rate: **HUD Benchmark** 4.30% 11/09/01 plus Basis Points 3.00% **HUD Rate** 7.30% 15 Term Potential Yield (at HUD rate) \$575,474 Expected Yield (at actual interest rate) \$232,194 Yield Foregone \$343,280 Amount of Match \$119,303.49

Comments:		